

Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY LIMA IMMEDIATE

INFO AMEMBASSY BOGOTA

AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ

AMEMBASSY SANTIAGO

AMEMBASSY QUITO

AMEMBASSY ASUNCION

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E.O. 11652:N/A

TAGS: EAIR, PE

SUBJECT: CIVAIR: USG/GOP CONSULTATIONS

1. THIRD AND FINAL SESSION OF WASHINGTON ROUND ENDED
EVENING OF JUNE 13. GENERAL AGREEMENT WAS REACHED ON ALL
BUT FOLLOWING TWO CONNECTED ISSUES: NEW YORK TRAFFIC
RIGHTS FOR PERU AND TRAFFIC RIGHTS SOUTH OF LIMA FOR BOTH
US AND PERU. USG-GOP CONSULTATIONS WILL RESUME JUNE 23 AT
LIMA TO ATTEMPT NEGOTIATED SOLUTION OF CIVAIR ISSUES BEFORE
JUNE 26 DEADLINE FOR TERMINATING MOST AEROPERU FLIGHTS IN
US AND BRANIFF FLIGHTS IN PERU.

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2. GOOD PART OF SESSION WAS DEBATE OVER RELATIVE VALUE OF US BEYOND RIGHTS AND ABILITY AEROPERU CARRY TRAFFIC BETWEEN US AND POINTS SOUTH OF LIMA VIA LIMA. USDEL INSISTED PERU HAD POTENTIAL TO DERIVE SIGNIFICANT REVENUES FROM CARRYING THIS LONG HAUL, HIGH VALUE TRAFFIC WHICH EXCEEDED SHORT HAUL VALUES AVAILABLE TO US AIRLINE. PERU DEL ARGUED OTHERWISE AND, NOT UNEXPECTEDLY, THERE WAS NO MEETING OF MINDS ON THIS CENTRAL POINT.

3. USDEL THEN SUGGESTED THAT DELEGATIONS SHOULD SEEK AGREEMENT COVERING FOLLOWING POINTS: (1) TERM OF AGREEMENT;

(2) GUARANTEED MINIMUM OF FREQUENCIES AND OPERATING RIGHTS; (3) PROVISION FOR INCREASE OF FREQUENCIES DURING TERM OF AGREEMENT; (4) PROCEDURES FOR SCHEDULE FILINGS; (5) 20 PERCENT SURCHARGE.

4. WITH RESPECT TO FIRST POINT, BOTH DELEGATIONS AGREED TO THREE YEAR TERM, OF AGREEMENT, SUBJECT TO A PERUVIAN CAVEAT THAT BRANIFF'S PERMITS WOULD HAVE TO BE RENEWED ANNUALLY ON PRO-FORMA BASIS. ON SECOND POINT, RESPECTIVE PROPOSALS FOR FREQUENCIES WERE AGAIN TABLED AS FOLLOWS: IN US-LIMA MARKET, US AND PERU AGREED THAT BRANIFF HAVE FOLLOWING 15 FREQUENCIES: 12 NEW YORK; 3 WASHINGTON; 7 MIAMI; 3 LOS ANGELES; 3 SAN FRANCISCO. US AGAIN PROPOSED THAT PERU HAVE FOLLOWING 10 FREQUENCIES: 7 MIAMI AND 3 LOS ANGELES. IN ADDITION TO ABOVE, PERU DELEGATION REGISTERED WISH TO HAVE RIGHT TO OPERATE 7 FLIGHTS TO NEW YORK FOR TOTAL OF 15 US FLIGHTS FOR AEROPERU. BERCKEMEYER ADDED THAT FOR SAKE OF OPTICS, HE WOULD LIKE TO REPORT TO GOP THAT AEROPERU WOULD HAVE RIGHTS TO OPERATE TWELVE FLIGHTS TO NEW YORK AND 3 TO WASHINGTON BUT THAT THESE ADDITIONAL FLIGHTS WOULD NOT BE OPERATED WITHOUT FURTHER CONSULTATIONS.

5. ON INTERMEDIATE POINTS BETWEEN US AND PERU, USDEL AND PERU DELEGATION AGREED TO FOLLOWING FREQUENCIES FOR BRANIFF: 10 PANAMA, 2 CALI, 2 BOGOTA, 4 QUITO, 3 GUAYAQUIL. FOR AEROPERU: 3 GUAYAQUIL-MIAMI; 3 GUAYAQUIL-LOS ANGELES. NO AGREEMENT WAS REACHED ON 3 FLIGHTS, LIMITED OFFICIAL USE

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GUAYAQUIL-NEW YORK. LATTER IS CONSEQUENCE OF FAILURE TO REACH AGREEMENT ON NEW YORK, IT WAS EMPHASIZED. PERU DELEGATION EXPRESSED SOME DISCOMFORT WITH LISTING INTERMEDIATE POINTS. BERCKEMEYER VOICED THAT THIS COULD BE VIEWED AS "ATTEMPT TO LIMIT AEROPERU'S RIGHTS TO INCREASE ITS INTERMEDIATE POINTS, WHILE WE ARE NOT LIMITING BRANIFF'S." HOWEVER, HE DID NOT PURSUE QUESTION FURTHER EVEN WHEN ASSURED OF USDEL'S INCLINATION TO VIEW WITH

SYMPATHY ANY PERUVIAN CONCERNS IN THIS REGARD.

6. ON BEYOND POINTS (FOR PERU, "BEHIND" POINTS), USDEL REQUESTED THE FOLLOWING BRANIFF FLIGHTS FOR A MAXIMUM OF 11: 5 BUENOS AIRES, 3 SANTIAGO, 4 RIO DE JANEIRO/SAO PAULO, 2 ASUNCION, 4 LA PAZ. THE PERUVIAN PROPOSED FOR BRANIFF INCLUDED FOLLOWING FLIGHTS FOR A MAXIMUM OF 10 (UP FROM PREVIOUS 9): 2 BUENOS AIRES, 2 SAO PAULO/RIO DE JANEIRO, 2 SANTIAGO, 3 ASUNCION, 3 LA PAZ. FOR AEROPERU, THE US PROPOSED MAXIMUM OF 8 FLIGHTS: 5 BUENOS AIRES-MIAMI, 3 SANTIAGO-MIAMI, 3 SAO PAULO/RIO DE JANEIRO-LOS ANGELES. THE PERUVIAN DELEGATION REQUESTED

10 FLIGHTS: 7 BUENOS AIRES-MIAMI, 3 SANTIAGO-MIAMI, 3 SAO PAULO/RIO DE JANEIRO-LOS ANGELES. PERU DELEGATION REPEATED THEIR INTENT TO LIMIT BRANIFF'S FLIGHTS TO TOTAL OF 2, BUT INDICATED POSSIBILITY OF INCREASE ON BRANIFF'S BUENOS AIRES AND SANTIAGO FLIGHTS. IF BEYOND POINTS COULD BE COMBINED IN AN ACCEPTABLE MANNER (THIS WAS NOT PURSUED). USDEL SUGGESTED FORMULA COULD BE DEVISED TO PERMIT INCREASES WHEN MARKETS GREW, AND PERU DEL SAID SOMETHING OF THIS SORT MIGHT BE POSSIBLE.

7. WITH REGARD TO PROVISION FOR FREQUENCY INCREASES, PERU DEL PROPOSED AN ANNUAL REVIEW TO EVALUATE BALANCE OF REVENUES. USDEL SUGGESTED EACH AIRLINE BE PERMITTED TO ADJUST FREQUENCIES INDEPENDENTLY WITHIN AGREED UPON LIMITS E.G. UP TO 20 PERCENT OF FREQUENCIES ANNUALLY. PERUDEL COUNTERED THAT SUCH FLEXIBILITY WOULD NOT WORK IN VIEW OF DISPARITY IN SIZE BETWEEN AIRLINES

8. REGARDING PROCEDURES FOR HANDLING SCHEDULES, DELEGATIONS REACHED TENTATIVE AGREEMENT. CONCERNING 20 LIMITED OFFICIAL USE

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PERCENT SURCHARGE, USDEL PROPOSED INCLUDING FOLLOWING LANGUAGE IN AGREEMENT: "NEITHER GOVERNMENT REQUIRES FROM AIRLINE DESIGNATED BY OTHER GOVERNMENT BENEFITS OTHER THAN THOSE SPECIFIED IN ITS PERMIT." PERUDEL SAID SUCH LANGUAGE UNNECESSARY BUT ULTIMATELY AGREED THAT LANGUAGE COULD BE INCLUDED WHICH WOULD ASSURE THAT SURCHARGE WOULD NOT BE IMPOSED.

9. PERU DEL THEN RETURNED TO BEYOND RIGHTS QUESTION AND REJECTED LISTING OF PERUVIAN TRAFFIC RIGHTS ON FREQUENCIES BEHIND PERU. AGREEMENT SHOULD COVER ONLY TRAFFIC BETWEEN US AND PERU, THEY CLAIMED. USDEL ASSERTED RIGHT TO CONTROL "BEHIND" TRAFFIC AND AGAIN REITERATED EXTENT OF USG CONCESSIONS TO PERU IN THIS REGARD, BUT DECLINED TO AGREE TO UNLIMITED PERUVIAN EXPLOITATION OF ITS

"BEHIND" MARKET WHILE ACCEPTING RESTRICTIONS ON US BEYOND RIGHTS. PERUDEL THEN PROPOSED TO LIMIT AGREEMENT ONLY TO THIRD/FOURTH FREEDOM AND TO INTERMEDIATE POINTS. USDEL SAID NO AGREEMENT WAS POSSIBLE ON THIS BASIS.

10. AT CONCLUSION OF SESSION, PERUDEL SUMMARIZED THAT IT HAD MADE FOLLOWING CONCESSIONS:

A) ACCEPTED 3 YEAR AGREEMENT;
B) DROPPED COMPENSATION PAYMENT CLAIM;
C) AGREED TO INCREASE BRANIFF'S FLIGHTS FROM 24 TO 25;
D) ALLOW BRANIFF 2 BRAZIL-LIMA FLIGHTS FOR 3 YEAR PERIOD.
PERUDEL CHARGED THAT IN SPITE PERUVIAN EFFORTS TO REACH

AGREEMENT USDEL: (A) REDUCED SCOPE OF BEHIND RIGHTS AND (B) SUPPRESSED ACCESS TO NEW YORK. USDEL NOTED PERUVIAN CONCESSIONS BUT POINTED OUT THAT US ALSO MADE CONCESSIONS. THE US HAD AGREED TO: A) REDUCTION OF FLIGHTS FROM 42 TO 26; B) PRACTICAL ABANDONEMENT OF "BERMUDA" PRINCIPLES IN ATTEMPT TO REACH SOLUTION; C) AGREEMENT TO 3 YEAR PERMIT IN SPITE OF US PREFERENCE FOR PERMANENT ARRANGEMENT; D) WILLINGNESS TO GRANT PERU CERTAIN UNFEATHERED ACCESS TO BEHIND TRAFFIC. BOTH DELEGATIONS NOTED THAT A DEGREE OF PROGRESS HAD BEEN ACHIEVED AND AGREED TO MEET AGAIN ON JUNE 23 AT LIMA. KISSINGER

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